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Incentive Marketing

MARCH 1985

INCENTIVE TRAVEL

Life Style Marketing:

Finding Your Customers in the Crowd

A BILL PUBLICATION

PRODUCT FOCUS: Clocks and Watches

March 1985

IM's monthly market report examines incentive use in the insurance field. See page 39 for details on how insurance policies put a premium on sales incentives.

Viewpoint	5
Trends & Comments	15
Show News	16
The Marketplace	20
Transportation	80
Hotels	80
Destinations	84
Associations	84
Service Companies	85
Manufacturers	86
Personnel	88
Calendar	90
Advertisers' Index	90
IM Action Card	91

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6 *IN THE NEWS—*
Airborne Freight Corporation launches the first large-scale promotion in the highly competitive overnight small package delivery business . . . Mexico City will host the 1986 World Cup soccer tournament—an intriguing travel promotion tie-in . . . A treasury tax reform proposal may have an adverse effect on incentive travel . . . Kellogg's seeks to capitalize on the growing physical fitness trend with a health club tie-in.

27 *LIFE STYLE MARKETING—*
SRI International's Values and Life Styles (VALS) market research program can help position incentive programs to maximize their impact. VALS goes beyond demographics to classify people by attitudes and life styles.

39 *INSURANCE POLICIES—*
Insurance companies rely heavily on sales incentives—particularly travel awards—to nurture top-performing agents.

45 *KEEPING TIME—*
IM's March product focus centers on the always-active clock and watch category, with interviews with industry experts on what buyers should look for. Guidelines cover product features, styling and selection, as well as supplier support.

59 *TRAVEL CLOSE-UP: FLORIDA—*
Easy access, favorable climate and diverse resorts and visitor attractions make Florida a tried-and-true incentive travel destination. This month's destination report examines America's favorite place in the sun overall—and region-by-region.

75 *INSIDE PROMOTIONS—*
Clorox moves to reward consumer loyalty . . . *Time* magazine zeros in on travel preferences . . . J&B Scotch bets on high stakes in sweepstakes . . . Golf equipment makers tee off promotional competition.

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FINDING YOUR CUSTOMERS IN THE CROWD

Life Style Marketing

By Pat Seelig

Like King Arthur and the Knights of the Round Table, incentive marketers may be on the verge of finding the Holy Grail that unlocks the secret to developing effective incentive programs. And their knight errant is a soft-spoken social scientist named Arnold Mitchell, armed with a program called VALS.

An acronym for Values and Life Styles, VALS was developed by Mr. Mitchell at SRI International, a Menlo Park, Calif. think tank formerly associated with Stanford University. Still in its formative stages in terms of business applications, VALS has been hailed by marketing research experts as one of the most exacting methods of positioning incentive programs, products and advertising, and goes beyond demographics to show how peoples' values and life styles influence their buying and work habits.

Mr. Mitchell explained that VALS, named by advertising trade journal *Advertising Age* as one of the 10 best marketing ideas of all time, is not in widespread use in incentive program development, but its impact could be dramatic in this area—at both the consumer and employee level. "VALS helps identify what motivates your customers or employees," he said. "You can develop incentive programs to appeal to those values, and they (incentive programs) likely will be more effective."

"The better you know your market, the better you can communicate with it," added Ginger Strong-Tidman, vice president/research director at Dallas-based Bozell & Jacobs/SW, the largest advertising agency in the Southwest. "As far as its applications to incentive programs, VALS can enable you to tailor programs to meet the values of customers or employees.

"For example, if a company has a lot of shift workers, you can prepare a selection of incentives to appeal to the different employee segments. The older ones might prefer additional pay, while the younger ones might want more time off to be with their families," she said.

"Management types have a different sense of values; they are older and usually Outer-Directed (see sidebar), but they usually share the same traits, so a company can develop an incentive program based on these traits."

VALS can be most effective in sales motivation, according to Mr. Mitchell. "Most salesmen are Outer-Directed, and they might respond to an incentive program that gives away a trip to Las Vegas. Inner-Directed employees, who are often found in high technology,

"VALS can enable you to tailor incentive programs to meet the values of customers or employees."

would be more likely to respond to a program that would give them six weeks of backpacking in Nepal."

Ms. Strong - Tidman stressed that VALS enables a consumer-oriented company to target its marketing efforts based on the product and its heavy user. She cited the recent use of VALS by Hyatt Hotels of Chicago to redefine its room amenities package. "Hyatt found out that a majority of its customers wanted to have access to jogging facilities and liked granola on the breakfast menu. They added these amenities to reflect the desires of their customers."

The Bozell & Jacobs researcher is quick to say that VALS is "not for everyone." But she adds that VALS plays an important role in the $200-million advertising agency's new business presentations and has been used to develop advertising and incentive programs for accounts such as American Airlines, Pace Foods and Southwestern Bell Mobile Systems. "They (the client) don't always know we are using VALS, but we use it frequently."

The companies that Mr. Mitchell lists on his VALS subscriber list read like a who's who of corporate America. Firms such as AT&T, Canon, Coca-Cola, Eastman Kodak, Dow Chemical, Gillette, Kraft, Nikon, R.J. Reynolds, Shell Oil and Timex have used VALS information from SRI. The technique seems to be particularly attractive to the magazine publishing industry, with all the major Time-Life units on the VALS client list, as well as diverse publications ranging from *Penthouse* to *U.S. News and World Report*.

The use of VALS among the larger firms is often restricted to the corporate research level to identify long-term marketing strategies, and, at some companies with high-profile incentive programs, may not be a factor in formulating the programs. "We subscribe to VALS, but we also subscribe to a number of other research techniques," said Patty Wainright, manager of media relations for AT&T Communications, Whippany, N.J. "We did not use VALS in developing the Opportunity Calling program."

VALS can, however, affect the bottom line in certain situations.

One situation involves Ray Ellison Homes, a San Antonio, Tex. home builder. The firm was on the brink of disaster after the housing recession of 1981. The company had laid off more than 40 percent of its employees and was faced with an inventory of more than 1,000 unsold homes.

The home builder turned to VALS to help identify its true customer base, and the results have been dramatic. "Last year was our best ever," said Jim Tilton, vice president-merchandising and advertising. "We had sales of $240 million, an increase of 48 percent over 1983."

Mr. Tilton is quick to credit VALS for the company's success. "We were in the process of reevaluating our entire company after the recession," he said. "We felt we often fell short of our goals because we disagreed on the values on which we based our goals. We determined that if our goals were consistent with our values, we could reach them."

This corporate soul searching led Ray Ellison to Mr. Mitchell and SRI. "We wanted to be able to identify the values of our customers to be able to better merchandise our homes." he said.

SRI launched an intensive homebuyer survey of the San Antonio market that included questionnaires and focus groups. The survey quickly identified three important VALS groups for Ray Ellison Homes—the Achievers, the Societally Conscious and the Belongers, all relatively affluent VALS groups.

The information provided Ray Ellison Homes with the insight to develop a marketing effort de-

signed to appeal to each of the identified groups. A major part of the effort was three television commercials highlighting VALS groups values, but the group data was most important in helping the home builder at the point-of-sale.

"We found that the majority of our customer base was Outer-Directed (the Achievers and Belongers), but we didn't want to ignore the Societally Conscious group, so we decided to decorate our model homes to reflect the values of all our target groups."

Mr. Tilton said the firm decorated at least one model home in each subdivision to reflect the values of each group. Amenities such as fireplaces and wet bars were part of the Achiever decor, while large bathrooms and natural woods were part of the Societally Conscious emphasis.

The Belonger group design was particularly important to Ray Ellison because of the large Hispanic population in San Antonio. Belongers have a strong sense of tradition and family—traits reportedly common in close-knit Hispanic families—and the Belonger design stressed the family room and kitchen.

VALS can be most effective in sales force motivation, according to its developer, Arnold Mitchell.

"We knew that a single style of decor would turn off some people once we got them to the models," said Mr. Tilton. "By designing our models for each group, we felt we were able to show them that they would be comfortable in our homes.

"Unless a company is willing to acknowledge that its products are consumer-driven, it will not survive," Mr. Tilton continued. "VALS enables a company to discover what factors drive the consumer and help him meet those desires. It is a lot easier for a company to know these things going into product development rather than trying to retrofit a product," he said.

Tapping the resources of the VALS program is relatively easy. All it takes is money. Since its inception in 1978, the VALS program has become a $175-million nonprofit annual business with a staff of 19. Its revenues are reinvested into research. An initial investment of $26,000 enrolls a company in SRI's "Leading Edge" program that provides updated information on VALS and the forces that shape its groups.

The potential use of VALS in developing an incentive program is not much different than SRI's work with Ray Ellison Homes. SRI would survey a target market sampling or employee base to deter-

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"Management types have a different sense of values; they are often Outer-Directed."

mine which major VALS groups are represented. After analyzing the data, SRI would work with a client to determine which strategies would be most effective in developing an incentive program that appeals to the target market through its values and life styles.

"People have traits from all VALS groups," said Bozell & Jacobs' Strong-Tidman, "and they often change VALS groups at different times in their lives.

"One problem with VALS is that too many people look at it as a be-all and end-all," she continued. "It's not. It is an additional tool that we can use to help us know more about our customer to help us make a sale." ■

VALSpeak

When most people hear the word VALS for the first time, their natural reaction is: "What's that?"

This confusion is to be expected because VALS is the newest, and some say the most effective, way to measure consumer attitudes in a way that enables companies to position their products and services to meet the various needs, wants, beliefs and demographics of their target markets.

Conceived in 1978 by Arnold Mitchell, a social scientist at SRI International, a Menlo Park, Calif. think tank, VALS stands for Values and Life Styles and divides people into four major categories with a total of nine life styles. The groups are:

1. ***Need-Driven***
   Survivors
   Sustainers
2. ***Outer-Directed***
   Belongers
   Emulators
   Achievers
3. ***Inner-Directed***
   I-Am-Me's
   Experientials
   Societally Conscious
4. ***Combined Outer-and Inner-Directed***
   Integrated

These categories are not fixed, and most people enter new categories as they grow older and respond to changing environments. The majority of the VALS subjects are Outer-Directed and are most often the market groups sought after by companies.

Outer-Directeds make up 67 percent of the VALS distribution, with the Achievers rated the most desir-

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able sub-group. These captains of industry account for 20 percent of the market.

Emulators, as their name implies, want to be like the Achievers, but they just haven't figured out how. Of all the VALS groups, there are more minorities in the Emulator category than in any other group—with the exception of the need-driven groups on the lower end of the economic scale.

The largest sub-group, with more than 39 percent of the population, is the Belongers. These people belong to civic clubs, community organizations and church groups. All indications show Belongers are the happiest of all VALS groups and are less bothered by stress.

The Inner-Directeds are led by the Societally Conscious. These are former 1960's flower children who drive cars like Volvos and are active in environmental groups. They often are quite successful financially and, while they may have the financial clout of Achievers, may not be motivated by the same things.

The Experientials often are considered youthful Societally Conscious people. They seek diverse experiences and often are attracted to the exotic. They tend to be artistic and are prone to becoming passionately involved with others.

The I-Am-Me's are today's punk rockers. They are people who defy society's standards to show that they are not influenced by what others think. They are sometimes dramatic and impulsive but can mature into Inner-Directed achievers.

Since its inception in 1978, VALS has become a $175-million nonprofit annual business with a staff of 19. Revenues are invested into research.

The Need-Driven Survivors and Sustainers and the Integrated personality represent the two extremes on the VALS scale.

The need-driven groups are considered by companies as the least-desirable VALS groups. They often include elderly people on fixed incomes who can barely hang on to what little they have left in life. The main difference between Survivors and Sustainers is that typical Sustainers are younger and haven't yet given up on their life goals.

The Outer- and Inner-Directed groups comprise what Mr. Mitchell calls the "Double Hierarchy," which defines the two categories as separate but parallel in the personality development stage.

As these parallel categories merge, the Integrated personalities emerge. These are the Jeffersons, Lincolns and Einsteins of the world. They meld the power of the Outer-Directed personality with the sensitivity of the Inner-Directed personality. They usually can put the world into perspective and are deeply aware of their surroundings.

The dominance of one particular group in society is often cyclical. During the Great Depression and World War II, there were a preponderance of Sustainers and Survivors, but during times of economic prosperity the Achievers and their Outer-Directed brethren tend to emerge. As expected, the 1960's saw an unusually high number of Inner-Directed people.

According to Mr. Mitchell, it is possible for a person to be Inner-Directed personally and Outer-Directed professionally. But, he adds, he seldom sees the opposite because Outer-Directed people tend to lack sensitivity to their inner feelings, while Inner-Directed folks may see the value in an Outer-Directed professional personality. ■

KEY DEMOGRAPHICS OF THE LIFE STYLES

	FEMALE (%)	MEDIAN AGE (YR)	MEAN EDUCATIONAL ATTAINMENT (YR)	CAUCASIAN (%)	MEDIAN HOUSEHOLD INCOME, 1980($)
SURVIVORS	60	66	8.4	55	< 5,000
SUSTAINERS	52	32	9.9	57	9,000
BELONGERS	60	54	10.8	92	14,000
EMULATORS	48	28	12.5	76	19,000
ACHIEVERS	39	42	13.6	95	35,000
I-AM-ME'S	42	20	11.7	87	12,500
EXPERIENTIALS	61	26	13.9	96	26,000
SOCIETALLY CONSCIOUS	54	38	14.9	89	30,000
INTEGRATEDS	54	40	16.0	93	34,000

SOURCE: VALS/SMRB, 1981 SURVEY.